

## Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Charter Township of Marquette</b>	County <b>Marquette</b>
Audit Date <b>12/31/04</b>	Opinion Date <b>6/30/05</b>	Date Accountant Report Submitted to State: <b>9/13/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1966, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Makela, Toutant, Hill &amp; Nardi, P.C.</b>			
Street Address <b>201 West Bluff Street</b>		City <b>Marquette</b>	State <b>MI</b>
Accountant Signature <i>Paul Nardi, CPA</i>		ZIP <b>49855</b>	Date <b>9/13/05</b>

Audited Basic Financial Statements  
Required Supplementary Information  
And Other Supplementary Information

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

December 31, 2004

Audited Basic Financial Statements  
Required Supplementary Information  
And Other Supplementary Information

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

December 31, 2004

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## Management's Discussion and Analysis

### Charter Township of Marquette

Year Ended December 31, 2004

Representing management of the Charter Township of Marquette, (Township), we offer readers of the Township's Financial Statements this narrative overview and analysis of the activities of the Township for the fiscal year ended December 31, 2004.

#### Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to Marquette Township's basic financial statements. The Township's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

#### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The **Statement of Net Assets** presents information on all of the Township's assets, liabilities, and net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the Township's financial position is improving or deteriorating.

The **Statement of Activities** presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., state revenue sharing, earned but unused vacation leave, etc.).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (**governmental activities**) from other functions that are intended to recover all, or a significant portion of, their costs through user fees and charges (**business-type activities**). The governmental activities of the Township include: General, Fire, Township Improvements, Downtown Development, Liquor Law Enforcement, Downtown Development Authority, and Debt Service. The business-type activities of the Township include: Water, Wastewater, Solid Waste, Stormwater and Metro Authority.

#### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Marquette Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into three categories: Governmental Funds, Proprietary Funds, and Fiduciary Funds.

**Governmental Funds** are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, Governmental Fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information for Governmental Funds to similar information presented for governmental activities in the government-wide financial statements. By doing so, readers

may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Fund balance sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between Governmental Funds and governmental activities.

Marquette Township maintains seven individual Governmental Funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund and Fire Fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor Governmental Funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its General Fund and Special Revenue Funds. A budgetary comparison statement has been provided for the General Fund and other major funds to demonstrate compliance with this budget.

**Enterprise Funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses Enterprise Funds to account for its Water, Wastewater, Solid Waste, Stormwater and Metro Authority.

**Fiduciary Funds** are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Townships programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds.

**Notes to the Financial Statements** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other Information** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's financial activities.

### **Summary of Net Assets**

The condensed Statement of Net Assets as of December 31, 2004 is as follows:

	Primary Government	Component Unit
<b>ASSETS</b>		
Current Assets	\$ 4,285,001	\$ 80,244
Capital Assets	5,652,015	
Other Assets	343,524	
<b>TOTAL ASSETS</b>	<b>\$ 10,280,540</b>	<b>\$ 80,244</b>
<b>LIABILITIES</b>		
Current liabilities	\$ 1,389,562	\$ 10,743
Non-current liabilities	2,062,500	
<b>TOTAL LIABILITIES</b>	<b>\$ 3,452,062</b>	<b>\$ 10,743</b>
<b>NET ASSETS</b>		
Investment in capital assets, net of related debt	\$ 4,005,785	
Restricted	343,524	\$ 69,501
Unrestricted	2,479,169	
<b>TOTAL NET ASSETS</b>	<b>\$ 6,828,478</b>	<b>\$ 69,501</b>

At December 31, 2004, the Township is able to report positive balances in all three categories of net assets, both the government as a whole, as well as for its separate governmental and business-type activities.

The Township's net assets increased by \$238,155 during 2004 and is shown as follows:

**Summary of Statement of Activities**

	Governmental Activities	Business Activities	Total
<b>REVENUE</b>			
Charges for services	\$ 50,217	\$ 1,153,426	\$ 1,203,643
Capital grants	24,770		24,770
Property taxes	992,762		992,762
State revenue sharing	241,852		241,852
Interest income	18,829	60,374	79,203
Other revenue	110,830	215,324	326,154
<b>TOTAL REVENUE</b>	<b>\$ 1,439,260</b>	<b>\$ 1,429,124</b>	<b>\$ 2,868,384</b>
<b>EXPENDITURES</b>			
General government	\$ 582,511		\$ 582,511
Public Safety	494,657		494,657
Public Works	13,398	\$ 252,569	265,967
Recreation and cultural	121,614		121,614
Interest on long-term debt	56,875		56,875
Water and sewer		1,103,931	1,103,931
Other expenditures	4,674		4,674
<b>TOTAL EXPENDITURES</b>	<b>\$ 1,273,729</b>	<b>\$ 1,356,500</b>	<b>\$ 2,630,229</b>
<b>Change in net assets</b>	<b>\$ 165,531</b>	<b>\$ 72,624</b>	<b>\$ 238,155</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 1,077,415</b>	<b>\$ 5,751,063</b>	<b>\$ 6,828,478</b>

Since prior year data on governmental and business type activities is not available, an analysis on the Township's overall financial position and results of operations using the condensed financial statements is not provided. A comparative analysis will be provided in future years when relevant data is available.

**Financial Analysis of the Township's Funds**

As noted earlier, the Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The focus of the Township's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a Township's net resources available for spending as of the end of the fiscal year.

As of December 31, 2004, the Township's Governmental Funds reported combined ending fund balances of \$530,771. Approximately 51 percent of this total amount, \$272,573, constitutes unreserved fund balance, which is available for spending at the Township's discretion.

The General Fund is the chief operating fund of the Township. As of December 31, 2004, unreserved fund balance of the General Fund was \$112,303. Unreserved fund balance represents ten percent of the total General Fund expenditures.

**Proprietary Funds:** The Township's Proprietary Funds provide the same type of information as the business-type activities found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water, Wastewater, Solid Waste, Stormwater, and Metro Authority Funds at the end of the year totaled \$5,407,539.

#### **General Fund Budgetary Highlights**

The original budget and the final amended budget differed by an increase of \$787 and can be briefly summarized as follows:

Revenues increased mainly for the transfer in from township improvements, \$50,000 and \$34,800 of reimbursements. Expenses increased mainly in debt service, \$62,813 and general services, \$23,000.

#### **Capital Asset and Debt Administration**

**Capital Assets:** The Township's investment in capital assets for its governmental and business type activities as of December 31, 2004, amounts to \$5,652,015 (net of accumulated depreciation). This investment in capital assets includes land, tools, equipment, and vehicles.

Major capital asset events during 2004 included the following: a sewer jet for \$38,900; sewer main extensions for \$38,076, and the purchase of a fire truck for \$398,921.

**Long-Term Debt:** At the end of 2004, the Township had total bonded and installment debt outstanding of \$2,008,802. Of this amount, 100 percent comprises debt backed by the full faith and credit of the government.

#### **Economic Factors and Next Year's Budget and Rates**

Further reductions in state revenue sharing are expected, but are offset by increases in property tax revenue. A four percent increase in total revenue is budgeted for 2005. A 2.4 percent increase in expenses is budgeted for 2005. No specific area is cited as expenses increased slightly all around.

During 2004, unreserved fund balance in the General Fund increased to \$112,303. The Township has presented a balanced budget in the 2004 budget, as there was no unreserved fund balance to appropriate.

The Water and Wastewater rates were increased by an average of three percent for all customers. These rate increases were necessary to finance the increasing cost of water and sewer system maintenance and operations.

#### **Requests for Information**

This financial report is designed to provide a general overview of Marquette Township's finances. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to:

Randell Girard, Township Manager  
Marquette Township  
161 County Road 492  
Marquette, MI 49855



**MAKELA, TOUTANT, HILL & NARDI, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

201 West Bluff Street  
Marquette, Michigan 49855  
Members  
American Institute of CPAs  
Michigan Association of CPAs

## **INDEPENDENT AUDITORS' REPORT**

Township Board  
Charter Township of Marquette  
Marquette, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette, (Township), Marquette, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette, Marquette, Michigan, as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements -- and Management's Discussion and Analysis -- for State and Local Governments*, as amended and interpreted, as of December 31, 2004.



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*Our goal is to help you meet yours!*

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Township Board  
Charter Township of Marquette

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2005, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information on pages one through four and 38 through 39, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township's basic financial statements. The introductory section, combining and individual non-major fund financial statements, and supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and supplemental information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Makela, Tartant, Hill + Naudi, P.C.*

June 30, 2005

# STATEMENT OF NET ASSETS

## CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

December 31, 2004

	Primary Government			Component Unit
	Governmental Activities	Business Type Activities	Total	Downtown Development Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 716,866	\$ 1,960,225	\$2,677,091	\$ 61,947
Receivables:				
Taxes	703,531		703,531	18,297
Special assessments		174,212	174,212	
Trade accounts	42,349	47,832	90,181	
Prepaid expense	10,885	629,101	639,986	
Interfund balances	35,500	(35,500)		
Investment in wastewater treatment plant		238,209	238,209	
Investment in landfill authority		105,315	105,315	
Capital assets, net of accumulated depreciation	1,740,525	3,911,490	5,652,015	
<b>TOTAL ASSETS</b>	<b>3,249,656</b>	<b>7,030,884</b>	<b>10,280,540</b>	<b>80,244</b>
<b>LIABILITIES</b>				
Accounts payable	19,804	210,685	230,489	10,743
Deposits payable	14,000	57,687	71,687	
Accrued liabilities	17,426	9,760	27,186	
Accrued interest	13,606	8,400	22,006	
Deferred revenue	1,038,194		1,038,194	
Noncurrent liabilities:				
Compensated absences	27,902	25,796	53,698	
Notes payable--due within one year	71,341		71,341	
Notes payable--due in more than one year	651,380		651,380	
Bonds payable--due within one year	60,434	181,226	241,660	
Bonds payable--due in more than one year	258,154	786,267	1,044,421	
<b>TOTAL LIABILITIES</b>	<b>2,172,241</b>	<b>1,279,821</b>	<b>3,452,062</b>	<b>10,743</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	1,017,804	2,987,981	4,005,785	
Restricted		343,524	343,524	69,501
Unrestricted	59,611	2,419,558	2,479,169	
<b>TOTAL NET ASSETS</b>	<b>\$ 1,077,415</b>	<b>\$ 5,751,063</b>	<b>\$6,828,478</b>	<b>\$ 69,501</b>

See accompanying notes to the basic financial statements.

## STATEMENT OF ACTIVITIES

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

Year Ended December 31, 2004

		Program Revenues			Net (Expense) Revenue & Changes in Net Assets			
			Operating	Capital		Business		
	Expenses	Charge for	Grants and	Grants and	Governmental	Type	Total	Component
FUNCTIONS/PROGRAMS:		Services	Contributions	Contributions	Activities	Activities		Unit
Governmental Activities:								
Legislative	\$ 44,906				\$ (44,906)		\$ (44,906)	
General services and administration	537,605	\$ 1,384			(536,221)		(536,221)	
Public safety	494,657	13,333		\$ 24,770	(456,554)		(456,554)	
Public works	13,398				(13,398)		(13,398)	
Recreation	121,614	35,500			(86,114)		(86,114)	
Interest on long-term debt	56,875				(56,875)		(56,875)	
Depreciation--unallocated	4,674				(4,674)		(4,674)	
TOTAL GOVERNMENTAL ACTIVITIES	1,273,729	50,217	\$ 0	24,770	(1,198,742)	\$ 0	(1,198,742)	\$ 0
Business Type Activities:								
Stormwater								
Wastewater	460,407	380,640				(79,767)	(79,767)	
Water	643,524	605,766				(37,758)	(37,758)	
Solid Waste	252,569	167,020				(85,549)	(85,549)	
Metro Authority								
TOTAL BUSINESS TYPE ACTIVITIES	1,356,500	1,153,426				(203,074)	(203,074)	
TOTAL PRIMARY GOVERNMENT	\$ 2,630,229	\$ 1,203,643	\$ 0	\$ 24,770	(1,198,742)	(203,074)	(1,401,816)	0
Component unit--Downtown Development Authority	\$ 12,457	\$ 0	\$ 0	\$ 0				12,457
General Revenues:								
			Taxes		992,762		992,762	
			Unrestricted state sources		241,852		241,852	
			Interest and investment earnings		18,829	60,374	79,203	83
			Licenses, permits, and fees		9,664	139,533	149,197	
			Miscellaneous		64,166	112,791	176,957	255
			Transfers--net		37,000	(37,000)		
			TOTAL GENERAL REVENUES		1,364,273	275,698	1,639,971	338
			CHANGE IN NET ASSETS		165,531	72,624	238,155	(12,119)
			Net assets at beginning of year, as restated		911,884	5,678,439	6,590,323	81,620
			NET ASSETS AT END OF YEAR		\$ 1,077,415	\$ 5,751,063	\$ 6,828,478	\$ 69,501

See accompanying notes to the basic financial statements.

GOVERNMENTAL FUNDS--BALANCE SHEET

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

December 31, 2004

	General Fund	Fire Fund	Other Governmental Funds	Total Government Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 258,677	\$ 228,492	\$ 229,697	\$ 716,866
Receivables:				
Taxes	475,070	228,461		703,531
Trade accounts	42,349			42,349
Due from other funds	111,064		35,500	146,564
Prepaid expense	8,815	2,070		10,885
<b>TOTAL ASSETS</b>	<b>\$ 895,975</b>	<b>\$ 459,023</b>	<b>\$ 265,197</b>	<b>\$ 1,620,195</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 16,356	\$ 1,093	\$ 2,355	\$ 19,804
Deposits payable	14,000			14,000
Accrued payroll expenses	13,625	3,801		17,426
Deferred revenue	739,691	298,503		1,038,194
<b>TOTAL LIABILITIES</b>	<b>783,672</b>	<b>303,397</b>	<b>2,355</b>	<b>1,089,424</b>
<b>FUND BALANCES</b>				
Reserved for:				
Roads			107,310	107,310
Buildings			91,779	91,779
Recreation			59,109	59,109
Unreserved, reported in:				
General Fund	112,303			112,303
Special Revenue Funds		155,626	4,644	160,270
<b>TOTAL FUND BALANCE</b>	<b>112,303</b>	<b>155,626</b>	<b>262,842</b>	<b>530,771</b>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<b>\$ 895,975</b>	<b>\$ 459,023</b>	<b>\$ 265,197</b>	<b>\$ 1,620,195</b>

See accompanying notes to the basic financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

December 31, 2004

Total governmental fund balance \$ 530,771

Amounts reported for governmental activities in the Statement  
of Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources; therefore, are not reported as assets in  
governmental funds. Capital assets at year end consist of:

Cost of capital assets	\$ 2,582,347	
Accumulated depreciation	<u>(841,822)</u>	1,740,525

Interfund payables and receivables to non-governmental funds are  
not included in the governmental activities Statement of Net  
Assets. The governmental funds have a net interfund receivable  
from the fiduciary funds of \$111,064, that is not included in the  
governmental activities in the Statement of Net Assets.

(111,064)

Interest on long-term debt is recorded in the governmental  
activities Statement of Net Assets when it accrues regardless  
of when it is due. In the governmental funds, however, it  
is recorded as an expenditure when it is due, and thus  
requiring the use of current financial resources. The current  
year net change in accrued interest is \$13,606.

(13,606)

Non-current liabilities, including bonds payable, are not due and  
payable in the current period; therefore, are not reported  
as liabilities in governmental funds. Non-current liabilities at  
year end consist of:

Bonds payable	(318,588)	
Notes payable	(722,721)	
Compensated absences	<u>(27,902)</u>	(1,069,211)

TOTAL NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 1,077,415

See accompanying notes to the basic financial statements.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE--  
GOVERNMENTAL FUNDS

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

Year Ended December 31, 2004

	General Fund	Fire Fund	Other Governmental Funds	Total Government Funds
<b>REVENUES</b>				
Taxes	\$ 711,668	\$ 281,094		\$ 992,762
Federal grants		24,770		24,770
Licenses, permits, and fees	5,072		\$ 4,592	9,664
State revenue sharing	241,852			241,852
Charges for services	1,384	13,333		14,717
Interest income	7,547	6,837	4,445	18,829
Reimbursement of prior year expense			35,500	35,500
Other	64,025	141		64,166
<b>TOTAL REVENUES</b>	<b>1,031,548</b>	<b>326,175</b>	<b>44,537</b>	<b>1,402,260</b>
<b>EXPENDITURES</b>				
Current:				
Legislative	44,906			44,906
General government	505,430	12,509	139	518,078
Public safety	213,085	186,189		399,274
Public works	13,398			13,398
Recreation	121,614			121,614
Capital outlay	10,005	283,576		293,581
Debt service:				
Principal	82,640			82,640
Interest	43,269			43,269
<b>TOTAL EXPENDITURES</b>	<b>1,034,347</b>	<b>482,274</b>	<b>139</b>	<b>1,516,760</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(2,799)</b>	<b>(156,099)</b>	<b>44,398</b>	<b>(114,500)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fire protection--outgoing		(20,000)		(20,000)
Operating transfers in	115,591		79,646	195,237
Operating transfers out	(79,646)	(4,000)	(54,591)	(138,237)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>35,945</b>	<b>(24,000)</b>	<b>25,055</b>	<b>37,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>33,146</b>	<b>(180,099)</b>	<b>69,453</b>	<b>(77,500)</b>
Fund balance at beginning of year	79,157	335,725	193,389	608,271
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 112,303</b>	<b>\$ 155,626</b>	<b>\$ 262,842</b>	<b>\$ 530,771</b>

See accompanying notes to the basic financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

Year Ended December 31, 2004

Net change in fund balances--governmental funds \$ (77,500)

Amounts reported for governmental activities in the Statement  
of Activities are different because:

Governmental funds report capital outlays as expenditures; in the  
Statement of Activities, these costs are allocated over their  
estimated useful lives as depreciation.

Depreciation expense	\$ (91,682)	
Capital outlay	<u>293,581</u>	201,899

Accrued interest is recorded in the Statement of Activities when  
incurred; it is not reported in governmental funds until paid.

The net change in accrued interest is \$13,606 in 2004. (13,606)

Repayments of long-term debt principal is an expenditure in the  
governmental funds, but not in the Statement of Activities.

82,640

In the Statement of Activities, certain operating expenses related  
to compensated absences are measured by the amounts  
earned during the year. In governmental funds, however,  
expenditures for these items are measured by the amount of  
financial resources used. This year the total amount earned  
for compensated absences exceeded the amount paid.

(27,902)

**CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES**

\$ 165,531

See accompanying notes to the basic financial statements.

# STATEMENT OF NET ASSETS--PROPRIETARY FUNDS

## CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

December 31, 2004

	Stormwater Fund	Wastewater Fund	Water Fund	Solid Waste Fund	Metro Authority Fund	Total
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 12,086	\$ 1,288,862	\$ 586,607	\$ 67,483	\$ 5,187	\$ 1,960,225
Receivables:						
Special assessments		174,212				174,212
Trade accounts		24,748	6,686	16,398		47,832
Due from other funds				269,872		269,872
Prepaid expenses		23,998	604,771	332		629,101
<b>TOTAL CURRENT ASSETS</b>	<b>12,086</b>	<b>1,511,820</b>	<b>1,198,064</b>	<b>354,085</b>	<b>5,187</b>	<b>3,081,242</b>
Noncurrent assets:						
Buildings and improvements		141,006	212,955			353,961
Machinery and equipment		46,900				46,900
Vehicles		40,887	40,887			81,774
Land improvements		560,293				560,293
Infrastructure assets		2,605,888	1,815,789			4,421,677
Accumulated depreciation		(796,441)	(756,674)			(1,553,115)
Investment in wastewater treatment plant		238,209				238,209
Investment in landfill authority				105,315		105,315
<b>TOTAL NONCURRENT ASSETS</b>	<b>0</b>	<b>2,836,742</b>	<b>1,312,957</b>	<b>105,315</b>	<b>0</b>	<b>4,255,014</b>
<b>TOTAL ASSETS</b>	<b>\$ 12,086</b>	<b>\$ 4,348,562</b>	<b>\$ 2,511,021</b>	<b>\$ 459,400</b>	<b>\$ 5,187</b>	<b>\$ 7,336,256</b>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable		\$ 11,184	\$ 188,651	\$ 10,850		\$ 210,685
Deposits payable			46,792	10,895		57,687
Accrued payroll expense		5,531	3,851	378		9,760
Interest payable		8,400				8,400
Due to other funds			305,372			305,372
Current portion of bonds payable		173,895		7,331		181,226
<b>TOTAL CURRENT LIABILITIES</b>	<b>\$ 0</b>	<b>199,010</b>	<b>544,666</b>	<b>29,454</b>	<b>\$ 0</b>	<b>773,130</b>
Noncurrent liabilities:						
Accrued sick and vacation		12,898	12,898			25,796
Bonds payable, net current portion		749,614		36,653		786,267
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>0</b>	<b>762,512</b>	<b>12,898</b>	<b>36,653</b>	<b>0</b>	<b>812,063</b>
<b>TOTAL LIABILITIES</b>	<b>0</b>	<b>961,522</b>	<b>557,564</b>	<b>66,107</b>	<b>0</b>	<b>1,585,193</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of debt		1,675,024	1,312,957			2,987,981
Restricted		238,209		105,315		343,524
Unrestricted	12,086	1,473,807	640,500	287,978	5,187	2,419,558
<b>TOTAL NET ASSETS</b>	<b>12,086</b>	<b>3,387,040</b>	<b>1,953,457</b>	<b>393,293</b>	<b>5,187</b>	<b>5,751,063</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 12,086</b>	<b>\$ 4,348,562</b>	<b>\$ 2,511,021</b>	<b>\$ 459,400</b>	<b>\$ 5,187</b>	<b>\$ 7,336,256</b>

See accompanying notes to the basic financial statements.



STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
--PROPRIETARY FUNDS

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

Year Ended December 31, 2004

	Stormwater Fund	Wastewater Fund	Water Fund	Solid Waste Fund	Metro Authority Fund	Total
<b>OPERATING REVENUES</b>						
Charges for services		\$ 380,640	\$ 605,766	\$ 167,020		\$ 1,153,426
Licenses, permits, and fees		100,290	39,243			139,533
Fines		2,172	309	156		2,637
Other		16,423	7,395	82,345	\$ 3,991	110,154
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 0</b>	<b>499,525</b>	<b>652,713</b>	<b>249,521</b>	<b>3,991</b>	<b>1,405,750</b>
<b>OPERATING EXPENSES</b>						
Salaries and wages		104,178	109,353	4,775		218,306
Employee benefits and payroll taxes		62,849	63,437	2,514		128,800
Supplies		5,955	7,224	201		13,380
Professional services		4,353	70,573	1,077		76,003
Travel			1,375			1,375
Community promotion				15,708		15,708
Other services		129,956	340,102	216,592		686,650
Amortization				8,297		8,297
Depreciation		82,850	51,460			134,310
<b>TOTAL OPERATING EXPENSES</b>	<b>0</b>	<b>390,141</b>	<b>643,524</b>	<b>249,164</b>	<b>0</b>	<b>1,282,829</b>
<b>OPERATING INCOME</b>	<b>0</b>	<b>109,384</b>	<b>9,189</b>	<b>357</b>	<b>3,991</b>	<b>122,921</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Interest income	86	41,995	12,569	5,672	52	60,374
Interest and fiscal charges		(70,266)		(3,405)		(73,671)
Fire protection charges			20,000			20,000
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>86</b>	<b>(28,271)</b>	<b>32,569</b>	<b>2,267</b>	<b>52</b>	<b>6,703</b>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<b>86</b>	<b>81,113</b>	<b>41,758</b>	<b>2,624</b>	<b>4,043</b>	<b>129,624</b>
Transfers in	12,000					12,000
Transfers out		(23,000)	(23,000)	(23,000)		(69,000)
<b>CHANGE IN NET ASSETS</b>	<b>12,086</b>	<b>58,113</b>	<b>18,758</b>	<b>(20,376)</b>	<b>4,043</b>	<b>72,624</b>
Net assets at beginning of year, as restated	0	3,328,927	1,934,699	413,669	1,144	5,678,439
<b>NET ASSETS AT END OF YEAR</b>	<b>\$ 12,086</b>	<b>\$ 3,387,040</b>	<b>\$ 1,953,457</b>	<b>\$ 393,293</b>	<b>\$ 5,187</b>	<b>\$ 5,751,063</b>

See accompanying notes to the basic financial statements.

# STATEMENT OF CASH FLOWS--PROPRIETARY FUNDS

## CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

Year Ended December 31, 2004

	Stormwater	Wastewater	Water	Solid Waste	Metro Authority	Total
<b>CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Net cash received from fees and charges for services		\$ 550,405	\$ 654,462	\$ 256,966	\$ 3,991	\$ 1,465,824
Cash payments to suppliers and employees for goods and services		(322,637)	(1,015,123)	(241,320)		(1,579,080)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$</b>	<b>227,768</b>	<b>(360,661)</b>	<b>15,646</b>	<b>3,991</b>	<b>(113,256)</b>
<b>NON-CAPITAL FINANCING ACTIVITIES</b>						
Operating transfers in	12,000					12,000
Operating transfers out		(23,000)	(23,000)	(23,000)		(69,000)
Change in interfund balances			305,372	(269,872)		35,500
Fire protection charges			20,000			20,000
<b>NET CASH PROVIDED (USED) BY NON-CAPITAL FINANCING ACTIVITIES</b>	<b>12,000</b>	<b>(23,000)</b>	<b>302,372</b>	<b>(292,872)</b>		<b>(1,500)</b>
<b>CAPITAL FINANCING ACTIVITIES</b>						
Increase in investment in wastewater treatment facility						
Acquisition of capital assets		(106,826)	(51,275)			(158,101)
Principal payments on long-term debt		(160,237)		(6,752)		(166,989)
Interest and fiscal payments on long-term debt		(67,755)		(3,405)		(71,160)
<b>NET CASH USED BY CAPITAL FINANCING ACTIVITIES</b>		<b>(334,818)</b>	<b>(51,275)</b>	<b>(10,157)</b>		<b>(396,250)</b>
<b>INVESTING ACTIVITIES--Interest income</b>	<b>86</b>	<b>41,995</b>	<b>12,569</b>	<b>5,672</b>	<b>52</b>	<b>60,374</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>12,086</b>	<b>(88,055)</b>	<b>(96,995)</b>	<b>(281,711)</b>	<b>4,043</b>	<b>(450,632)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>1,376,917</b>	<b>683,602</b>	<b>349,194</b>	<b>1,144</b>	<b>2,410,857</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>\$ 12,086</b>	<b>\$ 1,288,862</b>	<b>\$ 586,607</b>	<b>\$ 67,483</b>	<b>\$ 5,187</b>	<b>\$ 1,960,225</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income		\$ 109,384	\$ 9,189	\$ 357	\$ 3,991	\$ 122,921
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation and amortization		102,981	51,460	8,297		162,738
Equity in earnings on investment		(26,010)				(26,010)
Changes in assets and liabilities:						
(Increase) Decrease in accounts receivable		9,362	1,749	7,447		18,558
(Increase) Decrease in special assessments		41,518				41,518
(Increase) Decrease in prepaid expenses		(1,082)	(569,515)	(194)		(570,791)
Increase (Decrease) in accounts payable		(11,649)	141,468	(3,635)		126,184
Increase (Decrease) in security deposits payable			2,450	2,983		5,433
Increase (Decrease) in accrued expenses		3,264	2,538	391		6,193
<b>TOTAL ADJUSTMENTS</b>	<b>0</b>	<b>118,384</b>	<b>(369,850)</b>	<b>15,289</b>	<b>0</b>	<b>(236,177)</b>
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>\$ 0</b>	<b>\$ 227,768</b>	<b>\$ (360,661)</b>	<b>\$ 15,646</b>	<b>\$ 3,991</b>	<b>\$ (113,256)</b>

See accompanying notes to the basic financial statements.

STATEMENT OF FIDUCIARY NET ASSETS

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

December 31, 2004

	<u>Agency</u>	<u>Tax Collection</u>	<u>Total</u>
ASSETS--Cash and cash equivalents	<u>\$ 11,097</u>	<u>\$ 351,159</u>	<u>\$ 362,256</u>
LIABILITIES			
Accounts payable	\$ 198		\$ 198
Due to other funds	678	\$ 110,386	111,064
Due to other governmental units	4,057	240,773	244,830
Other	<u>6,164</u>		<u>6,164</u>
TOTAL LIABILITIES	<u>\$ 11,097</u>	<u>\$ 351,159</u>	<u>\$ 362,256</u>

See accompanying notes to the basic financial statements.

## NOTES TO FINANCIAL STATEMENTS

### CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

December 31, 2004

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Charter Township of Marquette, (Township), Marquette, Michigan, have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies of the Township:

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments*. Some of the significant changes in the Statement include the following:

- For the first time the financial statements include:
  1. A Management's Discussion and Analysis (MD&A) section, which provides an analysis of the School District's overall financial position and results of operations.
  2. Financial statements prepared using full accrual accounting for all of the School District's activities.
- A change in the fund financial statements to focus on the major funds.

These and other changes are reflected in the accompanying financial statements (including notes to financial statements). The Township has elected to implement the provisions of the statement in the current year.

#### REPORTING ENTITY

The Township was organized in 1871 and became a Charter Township in 1986. The Township operates under an elected Board of seven members and provides services to its residents including public safety, utility services, community enrichment, and development. As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the Charter Township of Marquette, Marquette, Michigan, (the primary government), and its component unit. The component unit discussed below is included in the Township's reporting entity because of the significance of its operational and financial relationships with the Township.

Component Unit: In conformity with accounting principles generally accepted in the United States of America, the financial statements of the Downtown Development Authority (DDA) have been included in the financial reporting entity as a discretely presented component unit. Board members of the DDA are appointed by the Township Supervisor and approved by the Township Board. The Township is neither able to reject or modify major projects nor able to remove DDA Board members at its discretion. The criteria for blending are not met since the DDA does not provide services entirely or almost entirely to the Township. In addition, the DDA Board and the Township Board are not substantively the same.

## NOTES TO FINANCIAL STATEMENTS--Continued

### CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Certain other governmental organizations are not considered to be component units of the Township entity for financial reporting purposes. The criteria established by Governmental Accounting Standards Board Statement No. 14 for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. Based upon the application of these criteria, the financial statements of certain other governmental organizations are not included in the financial statements of the Township.

#### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, privileges provided, or services of a given function or segment and (2) grants or contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

#### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the Proprietary Fund, Fiduciary Fund (except for the agency funds which do not have a measurement focus), and component unit financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

## NOTES TO FINANCIAL STATEMENTS--Continued

### CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

Governmental Fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as it is both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, state-shared revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and must be recognized as revenues of the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

All Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred, if measurable.

The Township reports the following major Governmental Funds:

**General Fund**--The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

**Fire Fund**--The Fire Fund is used to account for all activities of the fire department.

The Township reports the following major Proprietary Funds:

**Stormwater Fund**—The Stormwater Fund was established in 2004 for the purpose of maintaining the Township's stormwater system. No fees are currently being assessed to customers. Revenue is based solely on intergovernmental transfers.

**Wastewater Fund**—The Wastewater Fund accounts for the operations of wastewater disposal and treatment for approximately 720 Township residents.

**Water Fund**—The Water Fund accounts for the activities of the water distribution and treatment system for approximately 915 Township residents.

**Solid Waste**—The Solid Waste Fund accounts for the operation of providing garbage and recycling services to residents, as well as landfill usage and spring and fall cleanup.

**Metro Authority**—The Metro Authority Fund was established in 2003 in conjunction with the State Metro Act created in November of 2002. Annual payments are received from the State of Michigan for the purpose of maintaining the public rights-of-way by the municipalities.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued**

Additionally, the Township reports the following Fiduciary Fund types:

**Trust and Agency Fund**--The Trust and Agency Fund accounts for payroll withholdings and resulting payments, as well as the collection and disbursement of delinquent personal property taxes.

**Tax Collection Fund**--The Tax Collection Fund accounts for the collection and distribution of property taxes, as well as dog tags for the County of Marquette.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and Proprietary Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and Enterprise Funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. The principal operating revenues of the Wastewater, Water, Stormwater, and Solid Waste Enterprise Funds are charges to customers for sales and services. The Enterprise Funds also recognize, as operating revenues, the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## NOTES TO FINANCIAL STATEMENTS--Continued

### **CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN**

#### **NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued**

##### **BUDGETS AND BUDGETARY ACCOUNTING**

The Township adopts annual budgets for its General and Special Revenue Funds that can be amended by the Township Board throughout the year. Formal budgetary accounting is employed as a management control for all of its other funds. For each of the funds to which a formal budget is adopted, the same basis of accounting is used to reflect actual revenues and expenditures recognized on a basis consistent with accounting principles generally accepted in the United States of America. The budgeted financial statements in this report reflect the final budget authorizations, including amendments. All unexpended appropriations lapse at the fiscal year end.

##### **CASH AND CASH EQUIVALENTS**

The Township pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash account is available to meet current operating requirements. For purposes of the Statement of Cash Flows, cash equivalents include cash on hand, cash in checking, time deposits, certificates of deposit, money market funds, and highly liquid debt instruments with maturity of three months or less at the date of their acquisition. All investments are reported at fair market value.

##### **RECEIVABLES**

Revenues earned but not yet received are recorded as receivables on the Township's balance sheet. A provision for doubtful accounts is not necessary since all significant amounts have been collected subsequent to the balance sheet date.

##### **CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, water and sewer mains, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the asset constructed. No such interest expense was incurred during the current fiscal year.



## NOTES TO FINANCIAL STATEMENTS--Continued

### CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

#### NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued

##### CAPITAL ASSETS--Continued

Depreciation of exhaustible capital assets used by Proprietary Funds is charged as an expense against operations, and accumulated depreciation is reported on the Proprietary Fund's balance sheets. Depreciation of exhaustible capital assets used by Governmental Funds is recorded in the government-wide statement of activities.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Buildings and improvements	39-40
Vehicles	5-9
Machinery and equipment	3-10
Infrastructure	5-50

##### PROPERTY TAXES

The Township collects property taxes that are levied on December 1, based on the taxable value of property. Uncollected taxes are turned over for collection to Marquette County.

Property taxes levied are not recognized as revenue until the following year when they are considered "available" to finance current expenditures.

##### COMPENSATED ABSENCES

Township employees are entitled to certain compensated absences based on their length of service. Sick leave hours are credited to each employee as earned during a calendar year at a rate of one day per month. Bargaining employees are compensated for one-half of their unused accumulated sick leave hours up to a maximum of 480 hours upon separation or retirement from the Township. Vacation hours are earned based on years of service and are recorded and considered payable on the first day of the new fiscal year. A maximum of 120 vacation hours may be carried over to the next fiscal year.

All vacation and sick leave is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in the Governmental Funds only if they have matured or are considered a current liability.

## NOTES TO FINANCIAL STATEMENTS--Continued

### **CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN**

#### **NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES--Continued**

##### **DUE TO/FROM OTHER FUNDS**

The Township has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds had not been paid or received as of fiscal year end, balances of interfund accounts receivable or payable have been recorded. These interfund receivables and payables do not represent permanent or Board-approved loans between funds.

##### **LONG-TERM OBLIGATIONS**

In the government-wide financial statements and Proprietary Fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or Proprietary Fund type Statement of Net Assets. Bond premiums or discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, Governmental Fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

##### **FUND EQUITY**

In the fund financial statements, Governmental Funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

##### **USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE B--CASH AND CASH EQUIVALENTS**

The Township's cash and cash equivalents at December 31, 2004, are reported in the financial statements as follows:

	<u>Primary Government</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>	<u>Component Units</u>
Cash and cash equivalents	\$ 716,866	\$ 1,959,277	\$ 362,256	\$ 3,038,399	\$ 61,947
Cash held with paying agent		948		948	
Total	<u>\$ 716,866</u>	<u>\$ 1,960,225</u>	<u>\$ 362,256</u>	<u>\$ 3,039,347</u>	<u>\$ 61,947</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>	<u>Component Units</u>
Cash on hand	\$ 500	
Deposit accounts	781,152	\$ 61,947
Money market funds	2,256,747	
Cash with paying agent	948	
Total	<u>\$3,039,347</u>	<u>\$ 61,947</u>

The total deposits of the reporting entity held in financial institutions at December 31, 2004, are \$3,661,736 of which, approximately \$1,733,094 is insured by the Federal Deposit Insurance Corporation (FDIC) under Regulation 330.8. The remaining balance of \$1,928,642 is uninsured and uncollateralized. This regulation, in summary, provides that deposits of a governmental unit are insured for the lesser of the amount of the combined deposit or \$100,000 for both demand deposits and time deposits for every financial institution that is a member of the FDIC.

Statutory Authority

Act 196, PA 1997, authorizes the Authority to deposit and invest in:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution eligible to be a depository of funds belonging to the State of Michigan under a law or rule of this state or the United States.
3. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE B--CASH AND CASH EQUIVALENTS--Continued**

4. Repurchase agreements consisting of instruments issued by the United States or an agency or instrumentality of the United States.
5. Bankers' acceptances of United States banks.
6. Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
7. Mutual funds registered under the Investment Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

The Township's cash management is in accordance with statutory authority.

**NOTE C--INTERFUND RECEIVABLES AND PAYABLES**

The amounts of interfund receivables and payables at December 31, 2004, are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
General	\$ 111,064	Tax Collection	\$ 110,386
Other governmental funds	35,500	Water	305,372
Solid Waste	<u>269,872</u>	Agency	<u>678</u>
TOTAL PRIMARY GOVERNMENT	416,436	TOTAL PRIMARY GOVERNMENT	416,436
TOTAL COMPONENT UNITS	<u>0</u>	TOTAL COMPONENT UNITS	<u>0</u>
TOTAL REPORTING ENTITY	<u>\$ 416,436</u>	TOTAL REPORTING ENTITY	<u>\$ 416,436</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE D--CAPITAL ASSETS**

A summary of the capital asset activity for the year ended December 31, 2004, was as follows:

**Primary Government**

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Governmental activities				
Capital assets not depreciated:				
Land	\$ 1,171,756			\$ 1,171,756
Total governmental capital assets not being depreciated	1,171,756	\$ 0	\$ 0	1,171,756
Capital assets being depreciated:				
Building and improvements	325,225	22,245		347,470
Fire equipment	20,522	5,050		25,572
Vehicles	638,628	398,921		1,037,549
Total governmental capital assets being depreciated	984,375	426,216	0	1,410,591
Less accumulated depreciation for:				
Building and improvements	184,092	8,590		192,682
Fire equipment	1,466	2,435		3,901
Vehicles	564,582	80,657		645,239
Total accumulated depreciation of governmental capital assets	750,140	91,682	0	841,822
Total capital assets being depreciated, net	234,235	334,534	0	568,769
Governmental capital assets, net	\$ 1,405,991	\$334,534	\$ 0	\$ 1,740,525

The following is a breakdown of current depreciation for the primary government capital assets:

Public Safety--Fire Fund	\$ 87,008
Unallocated depreciation	<u>4,674</u>
Total primary government depreciation	<u>\$ 91,682</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE D--CAPITAL ASSETS--Continued**

**Business-type Activities**

	Balance January 1, 2004	Additions	Deductions	Balance December 31, 2004
Business-type activities:				
Capital assets not depreciated:				
Land improvements	\$ 560,293			\$ 560,293
Total business-type capital assets not being depreciated	560,293	\$ 0	\$ 0	560,293
Capital assets being depreciated:				
Buildings and improvements	353,961			353,961
Machinery and equipment	0	46,900		46,900
Vehicles	81,774			81,774
Infrastructure assets	4,310,476	111,201		4,421,677
Total business-type capital assets being depreciated	4,746,211	158,101	0	4,904,312
Less accumulated depreciation for:				
Buildings and improvements	169,211	8,924		178,135
Machinery and equipment	0	6,702		6,702
Vehicles	37,038	11,966		49,004
Infrastructure assets	1,212,556	106,718		1,319,274
Total accumulated depreciation	1,418,805	134,310	0	1,553,115
Total capital assets being depreciated, net	3,327,406	23,791	0	3,351,197
Business-type capital assets, net	\$ 3,887,699	\$ 23,791	\$ 0	\$ 3,911,490

**NOTE E--INVESTMENT IN WASTEWATER TREATMENT PLANT**

On July 1, 1993, an amendment to the Marquette County Wastewater Disposal System contract changed the ownership of the three municipalities involved. The Charter Township of Marquette paid to the City of Marquette and to the Charter Township of Chocolay the sum of \$54,743, for an allocation of an additional 4.5 percent of the capacity of the facility. They also assumed an additional 4.5 percent of future bonded debt payments of the facility.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE E--INVESTMENT IN WASTEWATER TREATMENT PLANT--Continued**

The new ownership percentages for the City of Marquette, the Charter Township of Chocolay, and the Charter Township of Marquette, after the amendment, are 77.55 percent, 12.45 percent, and 10.00 percent, respectively. In a separate agreement between the Charter Township of Marquette and the Township's Downtown Development Authority (DDA), the DDA assumed financial responsibility for this increased capacity and bonded debt through payment of the \$54,743 to each party plus 45 percent of the bonded debt payments. Accordingly, each year, the DDA makes transfers to the Township to cover their share of the bonded debt.

The facility has a separate advisory board made up of three representatives from the City of Marquette, one from Chocolay Township, and one from the Charter Township of Marquette. The advisory board and the governing board of the City of Marquette approve the budget for the facility. The usage rate for the governmental units are set by the facility's board. The fiscal year of the facility ends June 30, and a separate audit report of the facility for the fiscal year ended June 30, 2004, has been issued.

A summary of financial information of the facility for the year ended June 30, 2004, is as follows:

The Township's share of the facility's equity at June 30, 2004, increased by contributions to the

Assets	\$ 6,978,496
Liabilities	1,443,436
Fund equity	5,535,060
Total operating revenues	1,205,987
Total operating expenses	1,584,064
Operating loss	(378,077)
Net loss	(367,049)
Township's share of net loss	36,705

facility since that date, is recorded as an asset on the Township's financial statements. The municipalities are charged for their usage of the system in amounts equal to the annual operating expenses, excluding depreciation. The Township's share of the facility's assets, liabilities, equity, and changes in equity is equal to its ownership percentage.

The construction of the facility was partially financed through bonds issued by Marquette County for which the full faith and credit of the three municipalities have been pledged. The Charter Township of Marquette's portion of that debt is \$54,612 at December 31, 2004.

## NOTES TO FINANCIAL STATEMENTS--Continued

### CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

#### NOTE F--INVESTMENT IN SOLID WASTE AUTHORITY

During 1988, the Township joined the Marquette County Solid Waste Management Authority (Authority). The Township paid an initial fee of \$102,623 and agreed to repay a proportional share of the 1988 bond issue of \$2,675,000 to the Authority. On July 13, 1993, the Authority refunded the Series 1988 bonds by issuing \$2,195,000 in Local Government Loan Refunding Revenue Bonds, Series 1993B. The Township's proportional share was adjusted in 2002 based upon the population changes of the 2000 census.

A summary of financial information from the separately audited financial statements of the Authority as of and for the year ended June 30, 2004, is as follows:

Total assets	\$ 13,084,748
Total liabilities	2,136,948
Total equity	10,947,800
Total operating revenues	3,157,413
Total operating expenses	2,065,094
Net income	1,092,319
Total long-term debt	1,826,494

The Township accounts for its investment in the Authority by the cost method. The total outstanding debt is payable from the net revenues of the Authority, as well as by each member of the Authority to the extent of their pro rata share of the principal and interest requirements on the bonds.

#### NOTE G--DRAINAGE DISTRICT

The Marquette County Drain Commission established a drainage district that contains a portion of Marquette Township. Accordingly, the Township is responsible for a portion of improvement costs. The Township's portion of the expense is approximately \$754,689, which included a \$200,000 payment made by the Township at the beginning of the project with the remaining amount payable as part of the 15-year Badger Creek Drain Bonds issued in 1995. The Township's debt is \$263,977, as of December 31, 2004.

#### NOTE H--LONG-TERM DEBT

The Township was a participant in two separate bond refunding series conducted by Marquette County. The new bonds were used to retire various bond series issued by the County on behalf of local municipalities. The total savings resulting from lower interest rates of each bond refunding series was allocated between the various municipalities involved based on a ratio of debt outstanding to total refunded debt. As a result, the Township recognized a deferred loss of \$239,784 in its Wastewater Fund. The deferred losses are amortized to interest expense on a straight-line basis over the life of the bonds. As of December 31, 2004, the remaining deferred loss of \$139,125 is netted against debt obligations to arrive at the debt listed on the Statement of Net Assets.



NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE H--LONG-TERM DEBT--Continued**

A summary of the activity in long-term debt for the year ended December 31, 2004, follows:

	Balance January 1, 2004	Additions	Reductions	Balance December 31, 2004
PRIMARY GOVERNMENT				
Governmental Activities General Obligation				
Long-Term Debt:				
Refunding Bonds--Unlimited Tax, Series 1998	\$ 67,837		\$ 13,225	\$ 54,612
Land purchase note	588,000		39,200	548,800
Fire truck note		\$ 173,921		173,921
Compensated absences	23,407	4,495		27,902
Badger Creek Drain Bonds	307,418		43,441	263,977
	<u>986,662</u>	<u>178,416</u>	<u>95,866</u>	<u>1,069,212</u>
Business-Type Activities Bonds Payable:				
Refunding Bonds--Unlimited Tax, Series 1998	42,145		8,217	33,928
Refunding Bonds--Limited Tax, Series 1998A	1,180,725		152,020	1,028,705
Solid Waste Authority bonds	50,736		6,751	43,985
	<u>1,273,606</u>		<u>166,988</u>	<u>1,106,618</u>
TOTAL PRIMARY GOVERNMENT	<u>2,260,268</u>	<u>178,416</u>	<u>262,854</u>	<u>2,175,830</u>
TOTAL REPORTING ENTITY	<u>\$ 2,260,268</u>	<u>\$ 178,416</u>	<u>\$ 262,854</u>	<u>\$ 2,175,830</u>

The annual principal and interest requirements for the years ending December 31, 2005 through December 31, 2019, are as follows:

	2005	2006	2007	2008	2009	2010-2014	2015-2019
Primary Government							
General Long-Term Debt	\$ 131,775	\$ 136,389	\$ 141,048	\$ 145,763	\$ 133,535	\$ 196,000	\$ 156,800
Business-Type Activities							
Long-Term Obligations	<u>181,226</u>	<u>179,530</u>	<u>177,623</u>	<u>173,661</u>	<u>163,770</u>	<u>230,810</u>	
TOTAL PRINCIPAL	313,001	315,919	318,671	319,424	297,305	426,810	156,800
TOTAL INTEREST	<u>100,925</u>	<u>85,148</u>	<u>69,117</u>	<u>52,880</u>	<u>36,305</u>	<u>69,641</u>	<u>23,226</u>
TOTAL DEBT REQUIREMENTS	<u>\$ 413,926</u>	<u>\$ 401,067</u>	<u>\$ 387,788</u>	<u>\$ 372,304</u>	<u>\$ 333,610</u>	<u>\$ 496,451</u>	<u>\$ 180,026</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE H--LONG-TERM DEBT--Continued**

Notes payable consisted of the following:

	December 31	
	2004	2003
Note payable to bank in annual principal payments of \$39,200, plus interest at a fixed interest of 3.95% on the outstanding balance, secured by a real estate mortgage.	\$548,800	\$588,000
Note payable to bank in annual installments of \$39,013, including interest at a fixed interest of 3.95%, secured by a fire truck.	173,921	
	<u>\$722,721</u>	<u>\$588,000</u>

**NOTE I--CAPITALIZED LEASE OBLIGATIONS**

The Township has a lease agreement with Marquette County as a result of the construction of a sewer interceptor. The sewer interceptor was constructed in conjunction with the construction of the Marquette Area Wastewater Treatment Facility and was financed by the overall bond issue that financed the construction of the Facility. The Township's portion of the leased assets comprises approximately 5.2 percent of the total project cost and bond issue. The lease has been capitalized for financial statement purposes. The Township's portion of the lease obligation corresponds to approximately 5.2 percent of the principal and interest payments required to retire the original \$2,500,000 bond issue used to construct the Marquette Area Wastewater Treatment Facility.

Under the provisions of Act 185, Public Acts of Michigan, 1957, as amended, the Township and Marquette County also entered into a contractual agreement for construction of the Trowbridge Park Sewer System (Marquette County Sewage Disposal System No. 1). The project was financed by an EPA grant in the amount of \$3.10 million awarded to the Township and \$2.35 million in general obligation bonds issued through the County of Marquette. Since construction took place within Marquette Township, the Township carries the constructed assets on its books and has recognized a liability for the bond obligation. The Township has pledged its full faith and credit to pay its contractual obligations.

The County acquired the system and leased it to the Township, commencing with the completion of the project. The Township pays all costs of operating, maintaining, and administering the system.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE I--CAPITALIZED LEASE OBLIGATIONS--Continued**

Future minimum lease payments on the two capital lease obligations are payable as follows:

	<u>Sewer Inceptor</u>	<u>Sewer System</u>	<u>Total</u>
2005	\$ 9,950	\$ 213,097	\$ 223,047
2006	9,584	202,473	212,057
2007	9,219	191,908	201,127
2008	8,856	179,253	188,109
2009		168,889	168,889
2010-2014		238,515	238,515
	<u>\$ 37,609</u>	<u>\$ 1,194,135</u>	<u>\$ 1,231,744</u>

**NOTE J--DESIGNATED FUND BALANCE AND RETAINED EARNINGS**

The Township Improvement Fund has designated fund balance of \$258,198 for future improvements to Township roads, buildings, and recreational facilities.

**NOTE K--PROPERTY TAXES**

Property taxes are levied on taxable values of property located in the Township. Assessed values are established annually (the first Monday in March) and equalized by the State at an estimated 50 percent of current market value. Taxable values are also established annually (the first Monday in March). Taxable values are based on equalized values, but there are certain limitations on taxable values. Taxable values for each parcel of property cannot increase each year by more than the increase in the general price level of the preceding year or 5 percent, whichever is less, until ownership of the parcel is transferred. The property taxes are levied on December 1, and are payable without penalty through the following February 14. Property taxes are recognized as revenue in accordance with NCGA Interpretation 3 (Revenue Recognition - Property Taxes). The property taxes levied on December 1, are recorded as revenue in the following year because they are expected to finance expenditures of the following year.

The Township collects its own property taxes and also collects property taxes of the State of Michigan, County of Marquette, intermediate school district, and local school district within its jurisdiction. Collections and remittances of all property taxes are accounted for in the Tax Collection Fund.

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE L--PENSION PLANS**

The Township adopted a money purchase plan in accordance with IRS Code Section 401(a) for all of their full-time employees. The Township is required to contribute 11 percent of each participant's salary to the plan. Employees may make contributions, but no employee contributions are required. Employer contributions are 100 percent vested immediately. Employer contributions for the 401(a) plan administered by ICMA Retirement Corporation for the year ended December 31, 2004, were \$63,609. The Township also participates in a deferred compensation plan created in accordance with IRS Code Section 457. The Township does not make any contributions to the plan. Voluntary contributions made by qualified participants for the two plans administered by ICMA Retirement Corporation totaled \$7,370 for the year ended December 31, 2004.

The Township also adopted a medical/dependent care plan in accordance with IRS Code Section 125. The Township does not make any contributions to the plan; however, voluntary contributions made by qualified participants to the plan administered by American Family Life Assurance Company totaled \$1,050 for the year ended December 31, 2004.

**NOTE M--INTERFUND TRANSFERS IN AND OUT**

Operating transfers between the Township's funds for the year ending December 31, 2004, are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Fund</u>	<u>Transfer Out</u>
PRIMARY GOVERNMENT		PRIMARY GOVERNMENT	
General	\$ 115,591	General	\$ 79,646
Township improvement	79,646	Fire	4,000
Stormwater	12,000	Other governmental funds	54,591
		Solid waste	23,000
		Wastewater	23,000
		Water	23,000
TOTAL PRIMARY GOVERNMENT	<u>207,237</u>	TOTAL PRIMARY GOVERNMENT	<u>207,237</u>
TOTAL COMPONENT UNIT	<u>0</u>	TOTAL COMPONENT UNIT	<u>0</u>
TOTAL REPORTING ENTITY	<u>\$ 207,237</u>	TOTAL REPORTING ENTITY	<u>\$ 207,237</u>

NOTES TO FINANCIAL STATEMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

**NOTE N--SEGMENT INFORMATION**

The Township maintains three Enterprise Funds that provide water and sewer services and garbage collection to Township residents. Segment information and consolidated statement of cash flows for the year ended December 31, 2004, is as follows:

	Waste Water Utility	Water Utility	Solid Waste Utility	Total Enterprise Utility
Operating revenues	\$ 499,525	\$ 652,713	\$ 249,521	\$ 1,401,759
Operating expenses less depreciation	307,291	592,064	249,164	1,148,519
Depreciation	82,850	51,460		134,310
Income (loss) from operations	109,384	9,189	357	118,930
Non-operating revenues (expenses)	(28,271)	32,569	2,267	6,565
Operating transfers:				
In		20,000		20,000
Out	(23,000)	(23,000)	(23,000)	(69,000)
Net income (loss)	58,113	18,758	(20,376)	56,495
Property, plant, and equipment:				
Additions	106,826	51,275		158,101
Deductions				
Working capital	1,312,810	653,398	324,631	2,290,839
Total assets	4,348,562	2,511,021	459,400	7,318,983
Non-current liabilities	762,512	12,898	36,653	812,063
Beginning net assets	3,328,927	1,934,699	413,669	5,677,295
Change in net assets	58,113	18,758	(20,376)	56,495
Retained earnings at end of year	3,387,040	1,953,457	393,293	5,733,790
Beginning cash and cash equivalents	\$ 1,376,917	\$ 683,602	\$ 349,194	\$ 2,409,713
Net cash provided by:				
Operating activities	227,768	(360,661)	15,646	(117,247)
Noncapital financing activities	(23,000)	302,372	(292,872)	(13,500)
Capital and related financing activities	(334,818)	(51,275)	(10,157)	(396,250)
Investing activities	41,995	12,569	5,672	60,236
Ending cash and cash equivalents	<u>\$ 1,288,862</u>	<u>\$ 586,607</u>	<u>\$ 67,483</u>	<u>\$ 1,942,952</u>

## NOTES TO FINANCIAL STATEMENTS--Continued

### **CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN**

#### **NOTE O--DOWNTOWN DEVELOPMENT AUTHORITY**

The Township established a Downtown Development Authority (DDA) pursuant to Public Act 197 of 1975, as amended, by adoption of Township Ordinance 040886. Township Ordinance 050587 adopted and approved a Development Plan and a Tax Increment Financing Plan for the Township's Downtown Development Area. Both of these ordinances have been amended in subsequent years.

The current Development Area consists of approximately 740 acres of land. Improvements to the Development Area consist of water and sewer system extensions, wastewater treatment capacity, and road extensions. The cost of most improvements is financed by tax increment revenues, Downtown Development general obligation bonds, and unbonded debt agreements.

The Downtown Development Authority is accounted for as a discretely presented component unit. Upon completion of the projects, assets are transferred to the Water Fund and the Wastewater Fund as appropriate.

#### **NOTE P--RISK MANAGEMENT**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; error and omissions; injuries to employees; and natural disasters. The Township currently has employed a cooperative action agreement with the Michigan Township Participating Plan (Plan) in order to manage these risks.

The purpose of the agreement is to jointly exercise powers common to each participating member; to prevent or lessen the incidence and severity of casualty losses occurring in the operations of members; and to defend and protect, in accordance with the agreement, any member against liability or loss. The Township's membership provides them with coverage in the following risk areas: property damage, liability, wrongful acts, law enforcement, automobile, bond, crime, inland marine, and boiler. Through its membership in the Plan, the Township does not assume indemnification or responsibility for the debts or claims against other members.

Workers' compensation risks are covered by a policy with the Accident Fund of Michigan.

Certain other risks, such as damage to underground pipes, are borne by the Township. The Township believes that the amount of actual or potential claims, if any, against the Township as of December 31, 2004, are not material to the financial statements. Therefore, no provision for estimated claims is included in the financial statements.

#### **NOTE Q--COMMITMENTS**

The Michigan Department of Environmental Quality mandated that the DDA create a \$31,600 Irrevocable Standby Letter of Credit in their favor for financial assurance to the State of Michigan for the completion of wetland mitigation required in Permit No. 99-03-0138. The Letter of Credit is in effect until January 31, 2005.

## **REQUIRED SUPPLEMENTAL INFORMATION**

COMBINING BALANCE SHEET--NONMAJOR GOVERNMENTAL FUNDS

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

December 31, 2004

	Liquor Law Enforcement	Township Improvement	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,644	\$ 225,053	\$ 229,697
Interfund receivable		35,500	35,500
<b>TOTAL ASSETS</b>	<u>\$ 4,644</u>	<u>\$ 260,553</u>	<u>\$ 265,197</u>
<b>LIABILITIES</b>			
Accounts payable		\$ 2,355	\$ 2,355
<b>TOTAL LIABILITIES</b>	\$ 0	2,355	2,355
<b>FUND EQUITY</b>			
Reserved for:			
Roads		107,310	107,310
Buildings		91,779	91,779
Recreation		59,109	59,109
Unreserved	4,644		4,644
<b>TOTAL FUND EQUITY</b>	<u>4,644</u>	<u>258,198</u>	<u>262,842</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u>\$ 4,644</u>	<u>\$ 260,553</u>	<u>\$ 265,197</u>



COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE--NONMAJOR GOVERNMENTAL FUNDS

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

Year Ended December 31, 2004

	<u>Liquor Law Enforcement</u>	<u>Township Improvement</u>	<u>Total</u>
REVENUES			
Licenses, permits, and fees	\$ 4,592		\$ 4,592
Reimbursement of prior year expense		\$ 35,500	35,500
Interest income	56	4,389	4,445
TOTAL REVENUES	<u>4,648</u>	<u>39,889</u>	<u>44,537</u>
EXPENDITURES			
Current:			
General government		139	139
TOTAL EXPENDITURES	<u>0</u>	<u>139</u>	<u>139</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,648	39,750	44,398
OTHER FINANCING SOURCES (USES)			
Operating transfers in		79,646	79,646
Operating transfers out	(4,591)	(50,000)	(54,591)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,591)</u>	<u>29,646</u>	<u>25,055</u>
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	57	69,396	69,453
Fund balances at beginning of year	<u>4,587</u>	<u>188,802</u>	<u>193,389</u>
FUND BALANCES AT END OF YEAR	<u>\$ 4,644</u>	<u>\$ 258,198</u>	<u>\$ 262,842</u>

# BUDGETARY COMPARISON SCHEDULE--GENERAL FUND

## CHARTER TOWNSHIP OF MARQUETTE MARQUETTE, MICHIGAN

Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>REVENUES</b>				
Taxes	\$ 705,930	\$ 705,930	\$ 711,668	\$ 5,738
Licenses, permits, and fees	17,800	7,800	5,072	(2,728)
State sources	245,640	245,640	241,852	(3,788)
Charges for services	10,100	10,100	1,384	(8,716)
Interest income	4,686	5,886	7,547	1,661
Other	32,835	64,635	64,025	(610)
<b>TOTAL REVENUES</b>	<b>1,016,991</b>	<b>1,039,991</b>	<b>1,031,548</b>	<b>(8,443)</b>
<b>EXPENDITURES</b>				
Current:				
Legislative	59,870	52,370	44,906	(7,464)
General government	494,498	520,498	505,430	(15,068)
Public safety	226,217	226,217	213,085	(13,132)
Public works	22,000	15,000	13,398	(1,602)
Recreation	125,865	123,765	121,614	(2,151)
Capital outlay	11,900	11,900	10,005	(1,895)
Debt service:				
Principal	43,440	82,640	82,640	
Interest	19,656	43,269	43,269	
<b>TOTAL EXPENDITURES</b>	<b>1,003,446</b>	<b>1,075,659</b>	<b>1,034,347</b>	<b>41,312</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>13,545</b>	<b>(35,668)</b>	<b>(2,799)</b>	<b>(32,869)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	65,537	115,537	115,591	54
Operating transfers out	(79,646)	(79,646)	(79,646)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(14,109)</b>	<b>35,891</b>	<b>35,945</b>	<b>54</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(564)</b>	<b>223</b>	<b>33,146</b>	<b>32,923</b>
Fund balance at beginning of year	79,157	79,157	79,157	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 78,593</b>	<b>\$ 79,380</b>	<b>\$ 112,303</b>	<b>\$ 32,923</b>

BUDGETARY COMPARISON SCHEDULE--MAJOR GOVERNMENTAL FUND--FIRE FUND

**CHARTER TOWNSHIP OF MARQUETTE  
MARQUETTE, MICHIGAN**

Year Ended December 31, 2004

	Original Budget	Amended Budget	Actual	Over (Under) Budget
<b>REVENUES</b>				
Taxes	\$ 282,971	\$ 280,971	\$ 281,094	\$ 123
Federal Grants		23,750	24,770	1,020
Charges for services	6,500	5,000	13,333	8,333
Interest income	6,111	6,111	6,837	726
Other	250	250	141	(109)
<b>TOTAL REVENUES</b>	<b>295,832</b>	<b>316,082</b>	<b>326,175</b>	<b>10,093</b>
<b>EXPENDITURES</b>				
Current:				
General government	19,919	15,419	12,509	(2,910)
Public safety	182,859	194,497	186,189	(8,308)
Capital outlay	34,000	297,882	283,576	(14,306)
Debt Service	20,000	2,868	0	(2,868)
<b>TOTAL EXPENDITURES</b>	<b>256,778</b>	<b>510,666</b>	<b>482,274</b>	<b>(28,392)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>39,054</b>	<b>(194,584)</b>	<b>(156,099)</b>	<b>(38,485)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in				
Operating transfers out	(4,000)	(4,000)	(4,000)	
Fire protection--outgoing	(20,000)	(20,000)	(20,000)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(24,000)</b>	<b>(24,000)</b>	<b>(24,000)</b>	<b>0</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>15,054</b>	<b>(218,584)</b>	<b>(180,099)</b>	<b>38,485</b>
Fund balance at beginning of year	335,725	335,725	335,725	
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 350,779</b>	<b>\$ 117,141</b>	<b>\$ 155,626</b>	<b>\$ 38,485</b>

## **OTHER SUPPLEMENTAL INFORMATION**

DETAILS OF LONG-TERM DEBT  
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

December 31, 2004

Fire Truck Installment Loan  
General Long-Term Obligations  
Notes Payable

Payable In Year	Beginning Balance	Annual Payments		Ending Balance
		Principal	Interest	
2005	\$ 173,921	\$ 32,141	\$ 6,871	\$ 141,780
2006	141,780	33,413	5,600	108,367
2007	108,367	34,732	4,281	73,635
2008	73,635	36,105	2,908	37,530
2009	37,530	37,530	1,483	
		<u>\$ 173,921</u>	<u>\$ 21,143</u>	

Land Purchase Mortgage  
General Long-Term Obligations  
Notes Payable

Payable In Year	Beginning Balance	Annual Payments		Ending Balance
		Principal	Interest	
2005	\$ 548,800	\$ 39,200	\$ 23,226	\$ 509,600
2006	509,600	39,200	21,678	470,400
2007	470,400	39,200	20,129	431,200
2008	431,200	39,200	18,581	392,000
2009	392,000	39,200	17,032	352,800
2010-2014	352,800	196,000	61,936	156,800
2015-2019	156,800	156,800	23,226	
		<u>\$ 548,800</u>	<u>\$ 185,808</u>	

DETAILS OF LONG-TERM DEBT  
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

December 31, 2004

Marquette Area Wastewater Treatment Plant  
General Long-Term Obligations  
Refunding Bonds--Unlimited Tax, Series 1998

Payable In Year	June 1 Interest	December 1		Total
		Principal	Interest	
2005	\$ 1,181	\$ 13,653	\$ 1,181	\$ 16,015
2006	887	13,653	887	15,427
2007	594	13,653	594	14,841
2008	300	13,653	300	14,253
	<u>\$ 2,962</u>	<u>\$ 54,612</u>	<u>\$ 2,962</u>	<u>\$ 60,536</u>

Badger Creek Drain Bonds  
General Long-Term Obligations  
Bonds Payable

Payable In Year	April 1			October 1 Interest	Interest Rate	Total
	Principal	Interest	Fees			
2005	\$ 46,781	\$ 8,989	\$ 267	\$ 7,445	6.60	\$ 63,482
2006	50,123	7,445	267	5,765	6.70	63,600
2007	53,463	5,765	267	3,948	6.80	63,443
2008	56,805	3,948	267	1,988	6.90	63,008
2009	56,805	1,993	267		7.00	59,065
	<u>\$ 263,977</u>	<u>\$ 28,140</u>	<u>\$ 1,335</u>	<u>\$ 19,146</u>		<u>\$ 312,598</u>

DETAILS OF LONG-TERM DEBT  
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

December 31, 2004

Sewer Interceptor Capital Lease Obligation  
Wastewater Fund  
Refunding Bonds--Unlimited Tax, Series 1998

Payable In Year	June 1 Interest	December 1		Total
		Principal	Interest	
2005	\$ 734	\$ 8,482	\$ 734	\$ 9,950
2006	551	8,482	551	9,584
2007	369	8,482	368	9,219
2008	187	8,482	187	8,856
	<u>\$ 1,841</u>	<u>\$ 33,928</u>	<u>\$ 1,840</u>	<u>\$ 37,609</u>

Sewage Disposal System No. 1  
Wastewater Fund  
Refunding Bonds--Limited Tax, Series 1998A

Payable In Year	May 1		November 1	Total
	Principal	Interest	Interest	
2005	\$ 165,413	\$ 23,182	\$ 24,502	\$ 213,097
2006	162,946	19,076	20,451	202,473
2007	160,459	15,103	16,346	191,908
2008	155,726	11,309	12,218	179,253
2009	153,352	7,609	7,928	168,889
2010-2014	230,810	5,905	1,800	238,515
	<u>\$ 1,028,706</u>	<u>\$ 82,184</u>	<u>\$ 83,245</u>	<u>\$ 1,194,135</u>

DETAILS OF LONG-TERM DEBT  
SCHEDULE OF PRINCIPAL AND INTEREST REQUIREMENTS--Continued

**CHARTER TOWNSHIP OF MARQUETTE**  
**MARQUETTE, MICHIGAN**

December 31, 2004

Marquette County Solid Waste Facility  
Solid Waste Fund  
Bonds Payable

Payable In Year	May 1		November 1	Total
	Interest	Principal	Interest	
2005	\$ 1,539	\$ 7,331	\$ 1,341	\$ 10,211
2006	1,331	8,102	926	10,359
2007	921	8,681	699	10,301
2008	694	9,453	260	10,407
2009	260	10,418		10,678
	<u>\$ 4,745</u>	<u>\$ 43,985</u>	<u>\$ 3,226</u>	<u>\$ 51,956</u>





**MAKELA, TOUTANT, HILL & NARDI, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

201 West Bluff Street  
Marquette, Michigan 49855  
Members  
American Institute of CPAs  
Michigan Association of CPAs

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

Township Board  
Charter Township of Marquette  
Marquette, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Marquette (Township), Marquette, Michigan, as of and for the year ended December 31, 2004, which collectively comprise the Township's basic financial statements and have issued our report thereon dated June 30, 2005. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Charter Township of Marquette's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Marquette's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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*Our goal is to help you meet yours!*

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Township Board  
Charter Township of Marquette

This report is intended solely for the information and use of the Township Board, management, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

*Makela, Tautant, Hill + Nardi, P.C.*

June 30, 2005



**MAKELA, TOUTANT, HILL & NARDI, P.C.**  
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Marquette, Michigan 49855

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## **MANAGEMENT LETTER**

Township Board  
Charter Township of Marquette  
Marquette, Michigan

In planning and performing our audit of the basic financial statements of the Charter Township of Marquette (Township) for the year ended December 31, 2004, we considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the basic financial statements and not to provide assurance on the internal control structure.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be considered material weaknesses under standards established by the American Institute of Certified Public Accountants. An internal control structure should be designed to reduce, to a relatively low level, the risk that errors or irregularities in amounts that would be material in relation to the financial statements may occur and not be detected within a timely period by employees in the normal course of performing their assigned function. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce this risk to a relatively low level for the financial statements being audited. We noted no matters involving the internal control structure and its operation that we consider to be material weaknesses as defined above. However, we became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency.

### **EXPENSES**

#### APPROVAL OF INVOICES

Township department heads are authorized to approve invoices for payment. Currently, this authorization is documented by the department head recording the account number to be charged on the supporting documentation. This method of approval does not provide adequate accountability, since this procedure could be performed by anyone within the organization. We recommend that in addition to recording the account number on the supporting documentation, department heads be required to sign or initial all supporting documentation they approve for payment.

#### CHECK SIGNERS

We noted an instance where the payee of a Township check was also the authorized check signer. In the interest of strengthening internal control, we recommend that authorized check signers be prohibited from signing checks made payable to themselves.

We appreciate the opportunity to serve the Charter Township of Marquette, and wish to acknowledge the assistance provided by the Township's staff during our audit. If you would like to discuss the aforementioned items further, we would be happy to do so at your convenience.

Sincerely,

*Makela, Toutant, Hill + Nardi, P.C.*

June 30, 2005



*Our goal is to help you meet yours!*

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